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**JOHNSON UTILITIES, L.L.C.**Shea Boulevard, Suite 200 \* Scottsdale, Arizona 85254  
PH: (480) 998-3300; FAX: (480) 483-7908 DOCKET CONTROL

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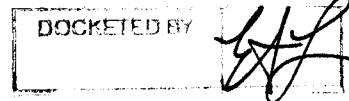
May 23, 2014

**ORIGINAL**Arizona Corporation Commission  
**DOCKETED**

MAY 23 2014

**HAND-DELIVERED**

Chairman Bob Stump  
 Commissioner Gary Pierce  
 Commissioner Brenda Burns  
 Commissioner Bob Burns  
 Commissioner Susan Bitter Smith  
 ARIZONA CORPORATION COMMISSION  
 1200 West Washington Street  
 Phoenix, Arizona 85007

**Re:    *Withdrawal of Application in Docket WS-02987A-13-0477***

Dear Chairman and Commissioners:

I am writing to let you know that the sale and transfer of the water and wastewater assets of Johnson Utilities to the Town of Florence will not be moving forward. Earlier today, Johnson Utilities docketed the enclosed Motion to Withdraw the Company's Application for Approval of the Sale and Transfer of Assets and Conditional Cancellation of its Certificate of Convenience and Necessity that was filed December 31, 2014. Attached to the Company's motion is a letter which I sent yesterday to the Florence Town Manager advising him that Johnson Utilities revokes its willingness to sell the utility assets to the Town. This will no doubt come as quite a surprise given that we completed the three-day hearing on the application earlier this week. However, in the days leading up to the hearing, and then as I sat through the hearing and listened to the testimony of the Florence Town Manager, it became clear to me that the Town is not ready or willing to complete the acquisition of the utility assets on the key terms that were negotiated months ago as reflected in the draft Asset Purchase and Lease Agreement that was presented to the Commission. Johnson Utilities put substantial time and effort into working toward a mutually acceptable agreement with the Town, and we are obviously very disappointed that the Town is unable to commit to the Asset Purchase and Lease Agreement.

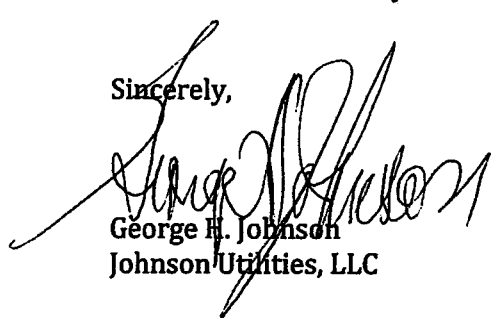
I am mindful of the hard work that has gone into this case by the Utilities Division Staff, the Hearing Division, the Administrative Law Judge and the intervenors, and the Company did not file to withdraw its application without careful consideration of all of the relevant facts. We acknowledge and greatly appreciate the willingness and efforts of all of the parties in the docket to attempt to meet the expedited time frame for obtaining a Commission decision. My team and I negotiated in good faith with the Town and we believed, as far back as December 2013, that we had reached agreement on all of the key deal points. In fact, we were told as much on several

Chairman Bob Stump  
Commissioner Gary Pierce  
Commissioner Brenda Burns  
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ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, Arizona 85007  
Page 2

occasions by the Town staff involved in putting the agreement in writing. However, the Town's recent disagreement with substantive terms and conditions at this late date leaves me no option but to withdraw the application. Had I known this would happen, the application would never have been filed in the first place.

Johnson Utilities will move forward as the water and wastewater provider within its certificated territory and will remain committed to providing a high level of service to all of our customers. We are filing notices in each of the active Johnson Utilities dockets requesting that the Commission proceed with those dockets. I would like to note that none of the costs of the work on the sale to the Town of Florence will be borne by the customers of the Company.

Sincerely,



George H. Johnson  
Johnson Utilities, LLC

Enclosure

cc w/enclosure:

Steve Olea, Director  
Lyn Farmer, Chief Administrative Law Judge  
Jodi Jerich, Executive Director  
Parties on the Service List for Docket WS-02987A-13-0477  
Docket Control (Original plus 13 copies)

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP—Chairman  
GARY PIERCE  
BRENDA BURNS  
BOB BURNS  
SUSAN BITTER SMITH

IN THE MATTER OF THE APPLICATION  
OF JOHNSON UTILITIES, LLC DOING  
BUSINESS AS JOHNSON UTILITIES  
COMPANY, FOR APPROVAL OF SALE  
AND TRANSFER OF ASSETS AND  
CONDITIONAL CANCELLATION OF ITS  
CERTIFICATE OF CONVENIENCE AND  
NECESSITY.

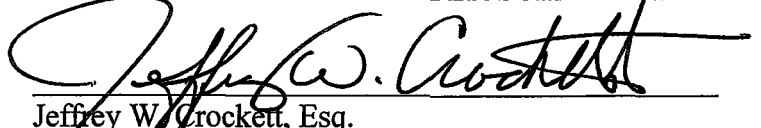
DOCKET NO. WS-02987A-13-0477

**MOTION TO WITHDRAW  
APPLICATION**

Johnson Utilities, L.L.C. ("Johnson Utilities" or the "Company") hereby moves to withdraw its Application for Approval of the Sale and Transfer of Assets and Conditional Cancellation of its Certificate of Convenience and Necessity filed December 31, 2014, and requests that this docket be closed. For reasons that are detailed in the May 22, 2014, letter from George Johnson to the Florence Town Manager, a copy of which is attached hereto as Attachment 1, the sale and transfer of the Company's water and wastewater assets to the Town of Florence will not be moving forward. Johnson Utilities is very mindful of the amount of work that has gone into this proceeding by the Utilities Division Staff, the Hearing Division, the Administrative Law Judge and the intervenors in this docket, and the Company does not file this motion without careful consideration of all of the relevant facts. Contemporaneous with the filing of this motion, the Company is filing notices in the other active Johnson Utilities dockets requesting that the Commission move forward with those dockets.

RESPECTFULLY submitted this 23<sup>rd</sup> day of May, 2014.

BROWNSTEIN HYATT FARBER SCHRECK LLP



Jeffrey W. Crockett, Esq.  
One East Washington Street, Suite 2400  
Phoenix, Arizona 85004  
Attorneys for Johnson Utilities, L.L.C.

1 ORIGINAL and thirteen (13) copies of the foregoing  
2 filed this 23<sup>rd</sup> day of May, 2014, with:

3 Docket Control  
4 ARIZONA CORPORATION COMMISSION  
5 1200 West Washington Street  
6 Phoenix, Arizona 85007

7 COPY of the foregoing hand-delivered  
8 this 23<sup>rd</sup> day of May, 2014, to:

9 Lyn Farmer, Chief Administrative Law Judge  
10 Hearing Division  
11 ARIZONA CORPORATION COMMISSION  
12 1200 West Washington Street  
13 Phoenix, Arizona 85007

14 Janice Alward, Chief Counsel  
15 Legal Division  
16 ARIZONA CORPORATION COMMISSION  
17 1200 West Washington Street  
18 Phoenix, Arizona 85007

19 Steve Olea, Director  
20 Utilities Division  
21 ARIZONA CORPORATION COMMISSION  
22 1200 West Washington Street  
23 Phoenix, Arizona 85007

24 Copy of the foregoing mailed and e-mailed  
25 this 23<sup>rd</sup> day of May, 2014, to:

26 Daniel Pozefsky, Chief Counsel  
27 RESIDENTIAL UTILITY CONSUMER OFFICE  
28 1110 West Washington Street  
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E-mail: [dpozefsky@azruco.gov](mailto:dpozefsky@azruco.gov)

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7 William J. Sims III  
8 SIMS MURRAY, LTD  
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11 E-mail: [wjsims@simsmurray.com](mailto:wjsims@simsmurray.com)

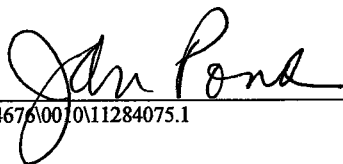
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# **ATTACHMENT 1**

# ***JOHNSON UTILITIES, L.L.C.***

5230 East Shea Boulevard, Suite 200 \* Scottsdale, Arizona 85254  
PH: (480) 998-3300; FAX: (480) 483-7908

22 May 2014

Charles Montoya  
Florence Town Manager  
Town of Florence  
P.O. Box 2670  
Florence, AZ 85132

Re: Johnson Utilities, L.L.C., an Arizona limited liability company ("Company")/The  
Town of Florence, Arizona, an Arizona municipal corporation ("Town")-Sale of  
Assets

Dear Charles,

This letter is in response to your letter to Johnson Utilities, which was not on  
Town letterhead, dated May 15, 2014 and to more recent actions of the Town.

Based on your testimony and the May 21, 2014 closing statement of the Town  
Attorney to the Arizona Corporation Commission, it is clear that the Town has turned  
down the offer of Johnson Utilities to sell its assets to the Town.

Johnson Utilities and the Town reached agreement on the price and terms of the  
sale of the assets in 2013 in anticipation of a February, 2014 closing, but in no event later  
than the Town's fiscal year end of June 30, 2014. This was sufficient to cause Johnson  
Utilities to file its application with the Arizona Corporation Commission on December  
31, 2013. Very recent changes in the Town's position have baffled Johnson Utilities.  
For example, the information requested in your May 15, 2014 letter has only recently  
been a condition to the Town considering the Asset Purchase Agreement (see your April  
9, 2014 testimony at the Arizona Corporation Commission which mentioned no such  
condition).

Both the Arizona Corporation Commission and The Industrial Development  
Authority of the City of Phoenix, Arizona required a signed Asset Purchase Agreement  
for the transaction to move forward. The Town filed a recent application with the  
Authority which further indicated to Johnson Utilities that it had proceeded in good faith  
in filing its application with the Arizona Corporation Commission and in its continued  
dealings with the Town. The Town never varied the testimony it prefiled with the  
Arizona Corporation Commission nor moved to alter the Commission's April 4, 2014  
Procedural Order.

Over the months of discussions the Town changed its mind on many issues. The Town's changes were difficult to deal with, e.g., initially filing the Asset Purchase Agreement with the Arizona Corporation Commission using its Municipal Property Corporation and then changing its mind (that is why we negotiated two separate Asset Purchase Agreements), insisting that the Town can only pledge gross revenues instead of net revenues, then changing its mind to being uncomfortable with a Bond Trustee distributing money for operating expenses, the Town being agreeable with a Bond Trustee then desiring the use of a Bond Trustee for less than 30 years (Johnson Utilities then agreed to 20 years), then the Town being uncomfortable with a Bond Trustee at all, etc. It was only on May 20, 2014, that Johnson Utilities officially learned that the Town had changed its mind on needing to close the transaction by the end of its June 30, 2014 fiscal year end, when you so testified at the Arizona Corporation Commission. Other key changes in the Town's position materially impacted the financing of the sale.

As to the substance of your requests, Johnson Utilities wants to point out that the Town's expert consultants have previously reviewed most of the agreements requested in your May 15, 2014 letter at our offices. Other documents that you have belatedly requested are normally produced after agreements are reached. For example, no one normally prepares preliminary title reports until an agreement is reached (and, the Town could have ordered such reports any time it wished as it has the complete list of the assets).

As noted in my earlier letter to you, Johnson Utilities offered its assets (system) for sale and allowed the Town the first opportunity to purchase. We agreed on the purchase price, the assets to be conveyed, a management transition and even provided that the Town would not have to cover any cash shortfall for years. After months of negotiations, we have learned from your testimony and the Town Attorney's closing statement at the Arizona Corporation Commission that the Town apparently disagrees with substantive terms and conditions of the purchase.

Johnson Utilities has satisfied all of its obligations to the Town. The voters of the Town have approved the sale in the May 20, 2014 election; presumably based on the Asset Purchase Agreement presented to the Town Council and to the Arizona Corporation Commission in late March and early April 2014. The Town has withdrawn its offer of purchase after having been given the first opportunity. In order to be clear on the import of the Town's conduct, Johnson Utilities revokes its willingness to sign any agreement with the Town concerning the sale of its assets to the Town.

Sincerely,

  
George Johnson